15th March 1952]

III.—PRESENTATION OF THE BUDGET FOR THE YEAR 1952–53.

*THE HON. SRI A. B. SHETTY :—" Mr. Chairman Sir, the budget which I am now presenting is only an interim one for 1952–53, although it has been prepared as usual, for the full year. It is intended just to give an account of the financial position of this State for the current year, and the prospects for the coming year on the existing structure of receipts and expenditure. The new Government which will shortly come into being, will consider the budget afresh and recast it, making provision for new schemes and taxation proposals, and this will be presented to both the Houses in due course. The Demands for full Grants, as contained in this budget, will not be presented to this Legislature. After the general discussion, a vote on account will be asked for, to meet the anticipated expenditure during the first four months of the next year. A White Paper,[a] explaining briefly the accounts of the year 1950–51, the Revised Estimates for 1951–52 and the Budget Estimates for 1952–53 as now framed, is being circulated to the Hon'ble Members along with the other budget documents. I shall not go over the same ground, but shall merely draw attention to a few matters of public concern. Introductory.

For the fifth year in succession, this State has suffered from adverse seasonal conditions causing widespread distress. The current year has been one of the worst, and severe drought conditions are now prevailing in the entire districts of Cuddapah, Chittoor, Chingleput and North Arcot. Scarcity conditions exist also in parts of Guntur, Nellore, Kurnool, Anantapur, Tiruchirappalli, Salem and Coimbatore districts. The Government are alive to the seriousness of the situation and the need for immediate relief. To avoid large-scale human mortality, gruel centres are being opened, wherever necessary, to sustain the aged and the infirm. Liberal remissions of land revenue and postponement of the collection of instalments of takkavi loans have been ordered. The Government are also granting subsistence and takkavi loans on a liberal scale. The programme of works on roads, rural water-supply and minor irrigation schemes is being accelerated in order to provide employment. Fodder is being arranged to be sold at subsidised rates to preserve the cattle wealth of the area. It may 3-15 p.m. Adverse seasonal conditions.

[a] Printed as Appendix VI on pages 40–62 infra.

perhaps be desirable to subsidise the sale of food-grains, especially millets, in the affected areas, to place them within the reach of the distressed people, but this would entail heavy outlay, beyond the resources of the State. The cost on account of the various relief measures which may have to be continued till the close of the calendar year 1952, is estimated at well over Rs. 5 crores. The amount available in the Famine Relief Fund at the end of the current year will be only about Rs. 60 lakhs. This Government have therefore approached the Government of India for substantial assistance by way of loans and grants and let us hope that our request will evoke a favourable response in quick time.

The Revised Estimate for 1951-52 was framed one month ago on the basis of the information then available, and it is very likely that the actual amount of remissions and expenditure on other relief measures in the current year will be much more than what were then anticipated. In the result, it is fairly certain that the deficit of Rs. 10 lakhs shown in the revised estimate for the year may be materially exceeded.

Budget, 1952-53.

The interim Budget for 1952-53, as now presented, presumes that seasonal conditions in the ensuing year will not be unfavourable. Revenues have been estimated on the existing basis of taxation and no provision has been made for new schemes to be introduced during the year. Even so, the anticipated revenue will fall short of expenditure by Rs. 86 lakhs. It is usual to make provision in the budget for new schemes of development costing about Rs. 2 to 3 crores each year and this additional expenditure used to be met by the normal increases in receipts under the various revenue heads. But our major sources of revenue, such as sales tax and motor vehicles tax, have reached the stage of peak-outturn and a downward trend may set in now. As the Hon'ble Members are aware, there has recently been a sudden fall in the prices of various commodities in this country. It is too soon to say how and at what level the prices will get stabilized, but this matter is one of great interest to this Government, as well as to the different sections of the public. A fall in commodity prices will have the healthy effect of narrowing down the wide disparity that has been existing, ever since the outbreak of the Korean War, between the prices of foodgrains and the prices

of commercial crops, and as such, may prove an incentive to the agriculturists for the production of more food. The working classes, particularly in industrial towns, have been adversely affected by the increased price they have had to pay for rice from the 2nd of this month, consequent on the stoppage of the food subsidies by the Central Government. The rise in their cost of living may be set off, to some extent at least, by a reduction in the retail prices of other articles which they consume. The stabilization of prices is a matter largely for the Government of India, and they may perhaps attempt to maintain parity between the prices of commercial products and foodgrains. So far as this State is concerned, one effect of a large fall in prices will be to diminish the revenues, particularly under General Sales Tax. New resources will therefore have to be tapped, if provision should be made for new schemes as contemplated in the Five-year Plan. The Planning Commission had taken note of the inelasticity of our existing revenue resources and for that reason, it had recommended additional taxation to the extent of at least Rs. 4 crores per year. Among the new proposals for expenditure to be considered is the one to launch a pilot scheme for mining the lignite deposits located in the South Arcot district. In this investigation, we have now reached a stage when we should attempt an open-cast mine to make sure that the exploitation of this precious resource is economically feasible. The experts who have been at this job for the past few years have now unanimously recommended that the cost of about Rs. 1 crore on the pilot scheme is a hazard worth undertaking, and therefore it is now up to this Government, with the assistance of the Government of India, if that should be forthcoming, to sanction the scheme forthwith. There is also for consideration the vexed question of enhancement of dearness allowance to non-gazetted Government servants, which has been agitating the minds of many hon. Members. An all-round increase in the rate of dearness allowance by Re. 1 per mensem will result in an extra cost of about Rs. 37 lakhs per annum and, therefore, hon. Members can easily appreciate the financial implications of this issue. In the circumstances in which we are placed to-day, it is not for me to suggest or for the present House to implement, the measures necessary to tackle these problems adequately. Let us hope that the newly elected

representatives of the people and the Ministry installed by them would resolve these issues to the satisfaction of the public.

Capital expenditure.

On the side of capital expenditure, we have had a most anxious time throughout the whole year. Hon. Members can see from the White Paper that we had budgeted for a capital expenditure of about Rs. 22½ crores which included about Rs. 9½ crores on irrigation projects and a similar sum on electricity works. Productive investment of this kind can usually be met from out of loans raised from the public; but under conditions which were expected to obtain in the money market, we could not have hoped to raise the sum from the public. Actually the open market loan for the year fetched us only Rs. 3 crores last September. The Government of India have been taking note of our difficulties and while accommodating us to the extent considered possible, they have been advising us to slow down some of the newly sanctioned projects with a view to restrict the outlay to the resources available. They have given us a loan of Rs. 5 crores from out of the Special Development Fund, ear-marked for the Tungabhadra—and the Lower Bhavani projects. A further loan of Rs. 1 crore has been promised us under this head and it is hoped that this and any further assistance would reach us before the close of the year. They have also transferred to their account securities worth Rs. 5 crores from our holdings and thereby released to us credit to that extent. Even so, there has been a wide gap between the resources available and the expenditure budgeted for, and this has caused embarrassing ways and means difficulties throughout the year. With a view to bridge the gap, the Government were constrained to review the Capital programme and some economies had to be ordered recently, care being taken to ensure that only the minimum dislocation was caused in the process. The revised Capital programme for the year stands at Rs. 19½ crores, the details of which are given in the White Paper. It is hoped that the deficit still remaining under the Capital heads could be covered by the sale of securities to any further extent found possible, before the end of the year.

Most of our Capital works, such as the Tungabhadra and the Lower Bhavani on the irrigation side, the Machkund and Moyar on the electricity side, are

15th March 1952] [Sri A. B. Shetty]

in an advanced stage of construction, where slowing down would involve wasteful outlay. If all our works should proceed according to schedule, we should provide for an outlay of about Rs. 25 crores during the ensuing year. But, considering the difficulties we had to face in this respect during the current year and the none-too-bright prospects of raising large sums in the open market, we are constrained to budget cautiously. The demands made by our engineers for the different schemes, have therefore been pruned down to the extent possible consistent with general economy, and the capital budget for the ensuing year has been fixed at Rs. 19·87 crores including Rs. 8·97 crores on irrigation and Rs. 8 crores on electricity projects. This sum has to be found during the course of the year by raising as much as we can from the open market, by the sale of securities to the extent possible, by borrowing from the Government of India whatever sums they can spare us and, in the last resort, by levying new taxes. Hon. Members might have noticed that the Central Government is placing increasing reliance on revenue surpluses to finance capital expenditure. This is an indication that, if we should develop our natural resources at a pace, which is not unduly tardy, we should also resort to similar methods; but this, however, is an important question of policy which we must necessarily leave to the new Houses for consideration.

On the 1st of April 1946, we held securities worth about Rs. 43 crores as unattached reserves. We have been drawing on these reserves to the extent necessary, to meet our capital expenditure during the post-war years. After meeting all the outstanding liabilities, we may expect to close the current year with an unattached balance of about Rs. 19 crores. We have thus depleted the reserves to the extent of Rs. 24 crores during this period, but this should not cause us any grave concern because, during this period, we have invested on capital works the sum of Rs. 62 crores, of which Rs. 25 crores are on irrigation and Rs. 30 crores on electricity projects. We have borrowed during this period only Rs. 11½ crores from the open market and Rs. 18 crores from the Government of India (including Rs. 3½ crores which we hope to get before the end of this year) and, therefore, a sizeable portion amounting to about Rs. 8½ crores of our capital investments during this period, came out of current

Reserves.

resources. The balance of Rs. 19 crores in the reserves, may be sufficient to support our capital commitments for another year or a little more ; but by about that time, a good many of our irrigation and electricity projects would have been completed and begun to yield us some additional revenue.

Conclusion. The finances of this State have been under the able administration of Sri B. Gopala Reddi during the last five years and it will be seen that, during this period, our revenues have increased and our resources have been utilized for productive purposes. Sri T. A. Varghese, the Finance Secretary, and members of his department have as usual applied themselves diligently to their onerous task during this year of exceptional difficulty. My thanks are also due to the Governor of the Reserve Bank for continued help to this State.

Under the very exceptional circumstances in which this Budget is being presented, I do not propose, as is usual on such occasions, to comment on the different aspects of our administration. The authority on these matters can now be properly exercised only by our successors who will have the right and the privilege to recast this Budget. I hope that the hon. Members will keep in mind this material limitation, while offering their comments on the present proposals."

MR. CHAIRMAN :—" The general discussion on the Budget will take place on the 19th instant. The House will now adjourn and meet again at 11 a.m. on the 19th March 1952."

The House then adjourned to meet again at 11 a.m. on Wednesday, the 19th March 1952.

IV—PAPERS LAID ON THE TABLE OF THE HOUSE.

1. *Madras Estates (Abolition and Conversion into Ryotwari) Act,* 1948—*Pamphlet entitled Principles of Ryotwari Settlement.*

2. *Notification issued with G.O. No.* 1666, *L.A., dated* 23rd *August* 1951, *regarding the inclusion of the local area defined in Schedule I within the limits of the Cuddalore Municipality.*

3. *G.O. No.* 3069, *Public (Services), dated* 8th *December* 1951, *issuing regulation under Article* 320 (3) *of the Constitution of India, regarding the exclusion of the post of Assistant Secretary, Governor's Secretariat in the Madras General Service from the purview of the Madras Public Service Commission.* [*Laid on the table in accordance with Article* 320 (5) *of the Constitution.*]